

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Jefferson
Cass County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Jefferson, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Jefferson, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Jefferson, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Jefferson, Michigan, as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 15 - 16, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Jefferson, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

April 11, 2006

BASIC FINANCIAL STATEMENTS

Township of Jefferson
STATEMENT OF NET ASSETS
June 30, 2005

**Governmental
activities**

ASSETS

Current assets:

Cash	\$ 291,717
Receivables (net)	102,466
Prepaid expenses	<u>5,411</u>

Total current assets 399,594

Noncurrent assets:

Receivables (net)	100,600
Capital assets (net of accumulated depreciation)	<u>180,552</u>

Total non-current assets 281,152

Total assets 680,746

LIABILITIES

Current liabilities:

Accounts payable	2,266
Current maturities of long-term debt	<u>26,757</u>

Total current liabilities 29,023

Noncurrent liabilities - long-term debt 136,262

Total liabilities 165,285

NET ASSETS

Invested in capital assets	180,552
Restricted for debt service	(6,240)
Unrestricted	<u>341,149</u>

Total net assets \$ 515,461

See notes to financial statements

Township of Jefferson
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Program Revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 9,166	\$ -	\$ -	\$ (9,166)
General government	131,295	25,438	-	(105,857)
Public safety	89,860	43,489	-	(46,371)
Public works	54,489	2,816	21,304	(30,369)
Health and welfare	17,231	-	-	(17,231)
Community and economic development	21,000	5,062	-	(15,938)
Interest on long-term debt	3,996	5,131	-	1,135
Total governmental activities	<u>\$ 327,037</u>	<u>\$ 81,936</u>	<u>\$ 21,304</u>	<u>(223,797)</u>
General revenues:				
Taxes				58,610
Franchise fees				716
State grants				162,098
Investment income				7,232
Other				689
Total general revenues				<u>229,345</u>
Change in net assets				5,548
Net assets - beginning				<u>509,913</u>
Net assets - ending				<u>\$ 515,461</u>

See notes to financial statements

Township of Jefferson
BALANCE SHEET - governmental funds

June 30, 2005

	<u>General</u>	<u>Diamond Lake Sewer</u>	<u>Indigan Lane Road</u>	<u>Totals</u>
ASSETS				
Cash	\$ 260,689	\$ 31,028	\$ -	\$ 291,717
Receivables	77,315	125,751	-	203,066
Prepaid expenses	<u>5,411</u>	<u>-</u>	<u>-</u>	<u>5,411</u>
Total assets	<u>\$ 343,415</u>	<u>\$ 156,779</u>	<u>\$ -</u>	<u>\$ 500,194</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 2,266	\$ -	\$ -	\$ 2,266
Deferred revenue	<u>-</u>	<u>125,751</u>	<u>-</u>	<u>125,751</u>
Total liabilities	2,266	125,751	-	128,017
Fund balances:				
Unreserved, undesignated	334,607	31,028	-	365,635
Reserved for building inspections	<u>6,542</u>	<u>-</u>	<u>-</u>	<u>6,542</u>
Total fund balances	<u>341,149</u>	<u>31,028</u>	<u>-</u>	<u>372,177</u>
Total liabilities and fund balances	<u>\$ 343,415</u>	<u>\$ 156,779</u>	<u>\$ -</u>	<u>\$ 500,194</u>

Fund balances - total governmental funds \$ 372,177

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 180,552

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 125,751

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (163,019)

Net assets of *governmental activities* \$ 515,461

See notes to financial statements

Township of Jefferson**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2005

	<u>General</u>	<u>Diamond Lake Sewer</u>	<u>Indigan Lane Road</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 78,492	\$ -	\$ -	\$ 78,492
Licenses and permits	43,596	-	-	43,596
State grants	166,059	-	-	166,059
Charges for services	12,723	-	-	12,723
Interest and rentals	7,801	5,414	468	13,683
Other	689	25,150	7,206	33,045
Total revenues	<u>309,360</u>	<u>30,564</u>	<u>7,674</u>	<u>347,598</u>
EXPENDITURES				
Legislative	9,166	-	-	9,166
General government	118,426	-	-	118,426
Public safety	89,860	-	-	89,860
Public works	51,681	-	-	51,681
Health and welfare	17,231	-	-	17,231
Community and economic development	21,000	-	-	21,000
Capital outlay	544	-	-	544
Debt service:				
Principal	-	26,757	7,206	33,963
Interest	-	3,528	468	3,996
Total expenditures	<u>307,908</u>	<u>30,285</u>	<u>7,674</u>	<u>345,867</u>
NET CHANGE IN FUND BALANCES	1,452	279	-	1,731
FUND BALANCES - BEGINNING	<u>339,697</u>	<u>30,749</u>	<u>-</u>	<u>370,446</u>
FUND BALANCES - ENDING	<u>\$ 341,149</u>	<u>\$ 31,028</u>	<u>\$ -</u>	<u>\$ 372,177</u>

See notes to financial statements

Township of Jefferson

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 1,731
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Amounts reported for *governmental activities* in the statement of activities
(page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation \$(15,133) in the current period.	(15,133)
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Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.	(32,356)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>51,306</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 5,548</u>
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See notes to financial statements

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Jefferson, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Diamond Lake Sewer Debt Fund accounts for the issuance and payment of debt related to sewer improvements. Revenues are primarily derived from special assessments.

The Indigan Lane Road Debt Fund accounts for the issuance and payment of debt related to road improvements. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., major road improvements), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 30, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township which are owned by the County of Cass.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 7 years
Roads	20 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Special assessment recognition - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

viii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2005, \$247,543 of the Township's bank balances of \$336,159 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Property demolition/ litigation</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 44,652	\$ -	\$ 32,663	\$ 77,315
Diamond Lake Sewer Debt	<u>-</u>	<u>125,751</u>	<u>-</u>	<u>125,751</u>
Totals	<u>\$ 44,652</u>	<u>\$ 125,751</u>	<u>\$ 32,663</u>	<u>\$ 203,066</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 100,600</u>	<u>\$ -</u>	<u>\$ 100,600</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	33,494	-	33,494	-
Subtotal	53,494	-	33,494	20,000
Capital assets being depreciated:				
Buildings and improvements	275,872	-	-	275,872
Equipment	28,195	-	-	28,195
Infrastructure	15,216	33,494	-	48,710
Subtotal	319,283	33,494	-	352,777
Less accumulated depreciation for:				
Buildings and improvements	162,072	7,543	-	169,615
Equipment	14,640	4,782	-	19,422
Infrastructure	380	2,808	-	3,188
Subtotal	177,092	15,133	-	192,225
Total capital assets being depreciated, net	142,191	18,361	-	160,552
Governmental activities capital assets, net	\$ 195,685	\$ 18,361	\$ 33,494	\$ 180,552

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 12,325
Public works	2,808
Total	\$ 15,133

NOTE 6 - DEFERRED REVENUE:

As of June 30, 2005, deferred revenue consisted of unavailable special assessments in the Diamond Lake Sewer Debt Fund.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2005, is comprised of the following individual issue:

Contracts payable:

\$520,275 1995 contract payable, due to Cass County in annual installments of \$26,757 to \$27,253, plus interest at 2% through October 2010. \$ 163,019

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contracts payable - 1990	\$ 17,343	\$ -	\$ 17,343	\$ -	\$ -
Contracts payable - 1995	189,776	-	26,757	163,019	26,757
Note payable - Indigan Road	7,206	-	7,206	-	-
Total long term liabilities	<u>\$ 214,325</u>	<u>\$ -</u>	<u>\$ 51,306</u>	<u>163,019</u>	<u>\$ 26,757</u>

Debt service requirements at June 30, 2005, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2006	\$ 26,757	\$ 2,993
2007	27,252	2,453
2008	27,253	1,908
2009	27,252	1,363
2010	27,253	818
2011 - 2015	<u>27,252</u>	<u>273</u>
Totals	<u>\$ 163,019</u>	<u>\$ 9,808</u>

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS:

a) *Edwardsburg Fire Department:* The Townships of Jefferson, Ontwa, and Milton have created the Edwardsburg Fire Department, which has a board composed of two individuals appointed by each Township board and one member-at-large appointed by the Edwardsburg Fire Board, who is a resident of one of the Townships. The Township appropriated \$42,026 to Edwardsburg Fire Department in 2005.

b) *Edwardsburg Ambulance Service:* The Townships of Jefferson, Ontwa, Calvin, and the Village of Edwardsburg have entered into an agreement with the Edwardsburg Ambulance Service for ambulance services. The agreement created the Ambulance Service Board, which is composed of two representatives to be appointed from each of the municipalities in the agreement. The payments to the ambulance service are based on a calculation of taxable values and percentages. The Township appropriated \$5,760 for operations of the Edwardsburg Ambulance Service in 2005. On May 15, 2005, the Township Board elected to withdraw from Edwardsburg Ambulance Service. The township subsequently contracted services through LifeCare Ambulance.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS (Continued):

c) *Cassopolis Area Ambulance Service*: The Townships of Jefferson, Calvin, LaGrange, Penn, and the Villages of Cassopolis and Vandalia have entered into an agreement with the Cassopolis Area Ambulance Service for ambulance services. The ambulance service has a board, which is made up of various members of the participating municipalities. The payments for services provided are calculated based on a five-year average of the ambulance runs in the participating municipalities, which is then applied to the total revenue to be collected from the municipalities. The Township appropriated \$11,471 for operations of the Cassopolis Area Ambulance Service in 2005. On May 15, 2005, the Township Board elected to withdraw from Cassopolis Area Ambulance Service. The Township subsequently contracted services through LifeCare Ambulance.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

Revenues	\$ 43,488
Expenses	<u>41,048</u>
Excess	<u>\$ 2,440</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 6,542</u>

NOTE 11 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2004 that resulted in net asset restatements. Fund equity as of July 1, 2004, included in the government-wide financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net assets</u>
Governmental activities:	
Beginning of year, as previously reported	\$ 482,744
Prior period adjustment - understatement of assessment receivables	<u>27,169</u>
Beginning of year, as restated	<u>\$ 509,913</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Jefferson

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 80,000	\$ 80,000	\$ 78,492	\$ (1,508)
Licenses and permits	48,000	48,000	43,596	(4,404)
State grants	185,000	185,000	166,059	(18,941)
Charges for services	8,000	8,000	12,723	4,723
Interest and rentals	6,500	6,500	7,801	1,301
Other	500	500	689	189
Total revenues	<u>328,000</u>	<u>328,000</u>	<u>309,360</u>	<u>(18,640)</u>
EXPENDITURES				
Legislative	<u>10,000</u>	<u>10,000</u>	<u>9,166</u>	<u>834</u>
General government:				
Supervisor	16,500	16,500	15,744	756
Election	8,000	1,000	4,482	(3,482)
Assessor	20,000	22,000	15,676	6,324
Clerk	16,000	16,000	14,201	1,799
Board of review	2,000	2,000	1,324	676
Treasurer	19,000	19,000	16,500	2,500
Building and grounds	24,000	22,000	13,257	8,743
Cemetery	3,000	3,000	2,740	260
Other	32,300	34,300	34,502	(202)
Total general government	<u>140,800</u>	<u>135,800</u>	<u>118,426</u>	<u>17,374</u>
Public safety:				
Fire protection	60,000	60,000	48,812	11,188
Building inspections	<u>48,000</u>	<u>50,000</u>	<u>41,048</u>	<u>8,952</u>
Total public safety	<u>108,000</u>	<u>110,000</u>	<u>89,860</u>	<u>20,140</u>
Public works:				
Highways and streets	65,000	65,000	39,990	25,010
Waste disposal	<u>15,000</u>	<u>15,000</u>	<u>11,691</u>	<u>3,309</u>
Total public works	<u>80,000</u>	<u>80,000</u>	<u>51,681</u>	<u>28,319</u>

Township of Jefferson**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 17,231</u>	<u>\$ 2,769</u>
Community and economic development - zoning and planning	<u>29,000</u>	<u>32,000</u>	<u>21,000</u>	<u>11,000</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>544</u>	<u>4,456</u>
Total expenditures	<u>392,800</u>	<u>392,800</u>	<u>307,908</u>	<u>84,892</u>
NET CHANGE IN FUND BALANCES	<u>(64,800)</u>	<u>(64,800)</u>	<u>1,452</u>	<u>66,252</u>
FUND BALANCES - BEGINNING	<u>339,697</u>	<u>339,697</u>	<u>339,697</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 274,897</u>	<u>\$ 274,897</u>	<u>\$ 341,149</u>	<u>\$ 66,252</u>
			341,149	

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**Board of Trustees
Township of Jefferson, Michigan**

In planning and performing our audit of the basic financial statements of the Township of Jefferson, Michigan, for the year ended June 30, 2005, we considered its internal control in order to determine our audit procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control. However, we noted the following matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

The following are reportable conditions that were noted during the audit:

- Bank accounts were not reconciled to their respective general ledger cash accounts.
- The Township's General Fund general checking account included unrecorded deposits and checks that were not corrected in a timely manner.
- The financial activity of the Debt Service Fund was not completely reflected in the accounting records.
- The special assessments for the Diamond Lake Sewer are not currently being tracked by the Township offices, and individual parcel balances are not readily available.
- The Township does not have an IT disaster recovery plan. A disaster recovery plan should include, but is not limited to, the following:
 1. Location of, and access to, offsite storage
 2. A listing of all data files that would have to be obtained from the offsite storage location
 3. Responsibilities of various personnel in an emergency
 4. Creating weekly, monthly, and annual backup files that are appropriately labeled, and kept separate from regular files

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

April 11, 2006